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Bigger New York City bond Sale Finds Eager Buyers.

The possibility New York City could lose some federal funding as a result of its status as a haven for undocumented immigrants did not deter investors who snapped up \$900 million of the city's bonds on Tuesday.

Underwriters led by Citigroup repriced the AA-rated general obligation bonds, shaving yields by a basis point in a handful of maturities. Yields topped out at 3 percent for bonds due in 2029.

The city's so-called credit spread over Municipal Market Data's benchmark triple-A yield scale widened slightly to 22 basis points for five year bonds and 36 basis points for 10 year bonds from pre-sale secondary market trading levels. MMD attributed the spread widening to the size of the deal, which was increased from \$800 million.

"It's too early to know how the market will treat the sanctuary cities," said Daniel Berger, a MMD analyst.

Jack Sterne, a spokesman for the New York City Comptroller's Office, said the deal was increased to \$900 million after more than \$600 million of bonds were sold to individual investors during a presale period.

"We're pleased investors continue to recognize the city's financial strength and invest in our bonds," he said in a statement.

Ahead of the sale, New York tried to assure potential bond buyers that its status as a so-called "sanctuary city" that shields illegal immigrants should not result in a substantial loss in federal funding due to President Donald Trump's recent executive order.

The Republican president signed an order on Jan. 25 directing the U.S. attorney general and Homeland Security secretary to withhold federal money from cities where local law enforcement refuses to report undocumented immigrants they encounter to federal authorities. Trump's Homeland Security chief told a congressional panel on Tuesday that funding to cities that refuse to cooperate with immigration agents would only be cut on a case-by-case basis.

In the bond deal's preliminary official statement, New York said federal grants related directly to immigration enforcement comprise a small portion of its budget and that grants supporting law enforcement in general would be exempted from the order. The city also vowed to "mount a vigorous legal challenge" against a reduction in federal aid.

In addition to New York, other major cities offering some form of protection to illegal immigrants include Los Angeles, Chicago, Philadelphia, Boston, Denver, Washington, and Seattle. Another sanctuary city, San Francisco, filed a legal challenge to the order last week.

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(Reporting By Karen Pierog; Editing by Tom Brown)

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